

Message Text

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ACTION INT-05

INFO OCT-01 AF-08 EA-09 ISO-00 EB-08 AID-05 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00

XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 L-03

STR-04 /084 W

-----041259Z 050916 /46

R 041130Z APR 77

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 4041

AMEMBASSY TOKYO

UNCLAS KHARTOUM 1116

PASS INTERIOR FOR USGS

E.O. 11652: N/A

TAGS: EMIN SU

SUBJECT: MINERALS: DEVELOPMENT OF SUDANESE FERROCHROME INDUSTRY

REF: A. KHARTOUM 76/2856, B. KHARTOUM 76/3324

1. DIRECTOR OF SUDANESE GEOLOGICAL AND MINERAL RESOURCES DEPARTMENT, YOUSIF SULIMAN, GAVE ECONOFF AGREEMENT BETWEEN SUDAN, MITSUBISHI, AND JAPAN METALS AND CHEMICALS COMPANY FOR DEVELOPMENT OF SUDANESE FERRCHROME INDUSTRY. AGREEMENT CONCLUDED AFTER MONTHS OF NEGOTIATION AND WAS FINALLY APPROVED BY COUNCIL OF MINISTERS AT END OF MARCH. IN RETURN FOR EXCLUSIVE EXPLORATION RIGHTS FOR CHROME IN INGESSNA HILLS, JAPANESE GROUP HAS AGREED TO DO FULL FEASIBILITY STUDY ON FERROCHROME INDUSTRY BY END OF 1977.

2. ORIGINAL JAPANESE INTEREST WAS IN FORMATION OF JOINT-VENTURE MINING COMPANY WHICH WOULD EXPORT 300,000 TONS OF CHROMITE PER YEAR FOR TEN YEARS (SEE REFTEL B). SUDANESE INSISTED UPON ESTABLISHMENT OF FERROCHROME INDUSTRY AS OPPOSED TO JAPANESE DESIRE SOLELY FOR CHROMITE EXTRACTION.

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NEW AGREEMENT ENVISAGES PRODUCTION OF 50,000 TONS OF CHROMATE PER YEAR. PLANS CALL FOR CRUSHED ORES TO BE BENEFICIATED BY FLOTATION PROCESS. LOCAL LIMESTONE AND IRON DEPOSITS ARE TO BE EXPLOITED FOR FLUX TO BE USED IN CHROMATE PRODUCTION PROCESS. LOWER GRADE LIMESTON PROBABLY WILL BE USED FOR PRODUCTION OF ASBESTOS CEMENT. (WE UNDERSTAND JOHNS-MANVILLE HAS RIGHTS FOR ASBESTOS DEVELOPMENT IN INGESSNA HILLS.)

3. JAPANESE HAVE AGREED TO FINANCE ALL FEASIBILITY STUDY COSTS. IF PARTIES AGREE THAT PROJECT IS FEASIBLE, FORMAL AGREEMENT FOR ESTABLISHMENT OF JOINT VENTURE WILL BE CONCLUDED. GOS WILL HAVE 51 PERCENT OF EQUITY, EXCEPT FOR EXISTING MINE LEASES HELD BY INGESSNA HILLS MINING CORPORATION, JAPANESE HAVE AGREED TO FINANCE SUDANESE EQUITY CONTRIBUTION AND TO PAY ROYALTY ON JOINT VENTURE PRODUCTS. JAPANESE HAVE RIGHT TO RECEIVE 49 PERCENT OF PRODUCTION IN KIND AND HAVE PURCHASER'S FIRST OPTION ON REMAINDER AT TERMS SATISFACTORY TO GOS.

4. COMMENT: JAPANESE HAVE DEMONSTRATED GREAT FLEXIBILITY IN THESE NEGOTIATIONS. THEIR WILLINGNESS TO SERIOUSLY EXPLORE ESTABLISHMENT OF FERROCHROME INDUSTRY--AS OPPOSED TO JUST EXTRACTING HIGH GRADE ORES--MAY INDICATE THEIR BELIEF THAT INGESSNA CHROME DEPOSITS MAY BE AS GREAT OR GREATER THAN WE HAVE PREVIOUSLY REPORTED.
BREWER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, MINING INDUSTRY, CHROMIUM, FERROALLOYS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KHARTO01116
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770116-0655
Format: TEL
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770492/aaaadbys.tel
Line Count: 81
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6f3c01ab-c288-dd11-92da-001cc4696bcc
Office: ACTION INT
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 KHARTOUM 76, 77 KHARTOUM 76
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2910058
Secure: OPEN
Status: NATIVE
Subject: MINERALS: DEVELOPMENT OF SUDANESE FERROCHROME INDUSTRY
TAGS: EMIN, SU, JA, MITSUBISHI, JAPAN METALS & CHEMICALS CO
To: STATE TOKYO
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6f3c01ab-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009